

Belmont Warrant Committee Meeting Minutes
FINAL
November 10, 2010, 7:30 p.m.
Chenery Community Room

Present: Chair Allison; Members Brusch, Dash, Grob, Libenson, Lynch, Manjikian, McHugh, Millane, Sarno, Smith; BOS Chair Jones; School Committee Chair Rittenburg

Town Administrator Younger and Town Accountant Hagg

Members Absent: Becker, Callanan, and Epstein

The meeting was called to order at 7:30 pm by Chair Allison.

Chair Allison began by reviewing the night's agenda.

Discussion of Promised Handouts

I. Expectations for Subcommittee Reports Due on December 15

Chair Allison reviewed what is expected in the Subcommittee Reports due 12/15/10. She said to include a summary of the department, the staffing, and an organization chart. She noted that subcommittees will need to be clear on overall costs vs. operating costs. The key to Program Budgeting will include: establishing program categories, mapping costs to programs, and collecting data regarding activity indicators. To do this, the subcommittee will need to refer to what was accomplished last year by that subcommittee and identify key issues that were discovered in 2010. She suggested considering "Table 1" from the CPA report as a guide to succinctly summarizing budget assumptions.

Member Dash asked if the WC was interested in pursuing Somerville's Program Based Budgeting approach as a learning tool for Belmont. Somerville, he explained, is tracking calls on DPW, etc. They have offered to meet with the WC and show the WC how this is done. Chair Allison asked the subcommittee chairs to consider the option and coordinate the visit(s).

II. Change in Operating Revenue Reconciliation

Last week, Chair Allison continued, Member Smith noted that the operating numbers could not be reconciled. Town Accountant Hagg distributed information (via email) on Friday with numbers that could be reconciled. Chair Allison noted that the revised numbers show \$1.5M in new operating revenue for FY12, which includes a one-time cash transfer of \$1M – one-time money that won't be available in FY13. She also noted that the recurring cash transfer of \$1,000,000 comes exclusively from the previous year's "Town" side budget because Town department expenditures are controlled by expense category. There is a disconnect, she said, as the rate of increase in available revenue is

greater than the rate of inflation, yet all agree it will be difficult to live within the available number budget. Member Libenson commented that the comparison is limited because the CPI-U is not a good index of the town's costs. Chair Allison said that the WC will revisit this topic in discussing town-wide issues.

Continued Discussion of FY2012 Available Revenue Budget

Chair Allison noted that the WC must decide what budgets to ask for. This will require meaningful analysis and discussion of what would be most useful. Program budgeting will allow us to tie purpose to expenditure. Almost half of the FY11 results can be analyzed by the time the new budgets are due. Some departments will have spent 40% of their budgets and some 70% in the first half of this fiscal year. She provided a handout to illustrate how the differences (for actual, available, and level budgets) help us ask: what is driving the numbers? Are costs being controlled? Doing three budgets provides focus for the review and decision process.

Member Lynch moved: *That the WC request the budgets in these forms from all departments: actual (based on FY11), six-month available revenue, and FY12 level service.*

The WC discussed the motion. Then Chair Allison asked who was in favor of the motion. The motion passed. [NB: The vote was recorded as unanimously in favor, although it was later determined that there had been one abstention. This change will be noted at the December 1, 2010 meeting.]

Guidelines for Determining Budget Numbers

Chair Allison reviewed the fixed costs that are subtracted out of the budget: overlay, state charges debt, retirement, roads override, and Minuteman. Member Libenson asked why these costs are subtracted out. BOS Chair Jones answered that there are budgets you have some control over and some you do not —~these areas we do not control. Chair Allison added that these are fixed obligations in dollar terms and cannot be used for the operating budget.

Town/School Split Discussion

From here, Chair Allison said, we have an Operating Revenue number from which to begin to budget to, and we can now determine the Town/School split. Last year, we decided the split late and we had budgets that were not grounded in reality. That scenario is hard for departments to plan for and hard for subcommittees to focus on.

Member Dash suggested that the WC “back into the split” by reviewing the performance-based criteria numbers. This would provide performance-driven numbers. A discussion followed in which it was noted that the current performance measures – and understanding of the relationship between those measures and the inputs – are not sufficiently robust to support this approach. SC Chair Rittenburg suggested that the WC

move away from the split model. She suggested that the WC acknowledge fixed costs and then see what is left to work with.

Superintendent Entwistle approached the WC table. He began by suggesting that the term “split” be replaced with “allocation”. As for the budget guidelines that the WC outlined last week, he said that honoring TM is a great thing, but honoring the split may not be a good thing, as the WC provides guidance as to what the split should be. Therefore there is a bit of a bias, as TM is reflecting the WC’s recommendation. Also, there is a bias toward not changing, if the same numbers are recommended year to year. He then moved to a discussion of one-time expenses. He agreed that not spending one-time money on recurring expenses is important, and explained that this had not been done with the new stimulus money. Returning to the allocation question, he suggested that the allocation requires careful analysis, including comparison of the value of School and Town programs. It is difficult to say what is more valuable – which service, which program – difficult but necessary. He then moved to a discussion of SPED expenses, explaining that SPED costs make up 15% of the school budget and grows 11% annually, even with cost controls. If 15% of your budget increases 11% year after year, any distribution is going to be skewed.

Chair Allison suggested that while one might justify starting in a different place, one may end up arriving at the same place. The analysis may lead to comparative judgments which may require reconvening the committee on core priorities. And the allocation gets the process started, but can be adjusted later. Regarding SPED, she said, many of those costs are salary costs and salary costs are controllable.

Superintendent Entwistle said that much of those costs are indeed salary (and transportation) but because the personnel requirements are state and federally mandated, they are difficult to control. SC Chair Rittenburg elaborated on this point, noting how the town of Wellesley handles SPED in its budget process. Chairman Allison noted that Wellesley is unique among Massachusetts town in its financial solvency, having fully funded its retirement plans and otherwise having a uniquely strong financial situation.

The WC discussed aspects relating to how and when to allocate budgeting numbers to the Town and School. Member McHugh offered that health care and SPED are costs that are increasing yearly. We are going to need to make changes or all we are going to be doing is paying pension, SPED, and health care costs and nothing more, she said. Town Administrator Younger reminded the WC that this allocation is a starting point and is not permanent. SC Chair Rittenburg said that the community would appreciate it if the WC engaged in a meaningful and thoughtful allocation analysis process. This is one of the most important decisions the WC makes, she said, why must it be made with so little analysis? Chair Allison noted that the Subcommittees were the vehicles for detailed analysis and that they would have four months to do their work.

Member Smith moved: *That the Town/School initial allocation of operating revenues (presented on page 6 of the evening’s handout) be a starting point, with 57.43% for Schools and 42.57% to the Town.*

Chair Allison asked who was in favor of the motion. Twelve members voted in favor, one member opposed; the motion passed.

Overview of Town-wide Financial Issues

Chair Allison said that the WC might do an analysis similar to what was done with the CPA to get a deeper understanding of town-wide financial issues. She outlined a list of issues that might be candidates for such an analysis:

- **Compensation Exercise** – This would involve looking at an earlier budget (2007) and then supposing that employees got private compensation and Harvard’s fringe benefit plans. What would the town budget look like now?
- **Pension** – Chair Jones noted that the unfunded liability for pensions will double, as the number is higher than even the actuaries predict. How can we better fund this obligation and control this obligation going forward?
- **Health Care** – Member McHugh noted that health care is increasing at three times what everything else is. This is real and shared pain. There needs to be a rallying cry to unite us in figuring out the answer to this.
- **Structural Reform** – Member Libenson offered that there are potential changes that could be made, but that these changes are hard to make as some require law changes, some statute changes. We should look at the list and try to make a long-term plan to make significant changes. SC Chair Rittenburg added that key analysis would be looking at the town’s organizational structure. This is an obstacle and makes the town inefficient by design. BOS Chair Jones said that the Government Structure Committee concluded that by-law changes are required to change the organizational structure. He said he is working to make changes through Memorandum(s) of Understanding.

Chair Allison noted that for the Dec. 1st meeting, some material on health care costs will be pulled together. The WC can decide if we should move forward considering health care reform or other structural reform.

Chair Allison noted that Mr. Jack Weiss has been named Minuteman Representative. She asked if the WC would like to hear a presentation on Minuteman at some point. The WC agreed to this idea. She noted that the Rappaport Institute has been studying town finances. Would the WC like to meet with them? Yes, at least one member (Libenson) replied.

BOS Chair Jones noted that regional boards (Minuteman, BMLD, etc.) have funded their pensions with our money. We need to get these facts out in the public domain, and he said he is not sure the state should allow this.

Approval of Minutes for 11/3/2010

The minutes of November 3, 2010 were approved.

Wrap-up/Adjournment

BOS Chair Jones moved to adjourn at 9:09 pm.

Member Libenson provided the meeting summary.

Chair Allison reminded the WC that subcommittees will need to submit meeting minutes to Ms. Hagg.

Submitted by Lisa Gibalerio
WC Recording Secretary